THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司

FOR IMMEDIATE RELEASE **22 AUGUST, 2012**

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- Total turnover amounted to HK$2,416 million, which was 5% above the same period in 2011.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 2% to HK$521 million.
- The overall Group EBITDA margin was maintained at 22%, despite the major renovation programmes at The Peninsula Hong Kong and The Repulse Bay.
- Underlying profit attributable to shareholders increased by 3% to HK$156 million.
- Profit attributable to shareholders amounted to HK$814 million, after taking into account the gains on property revaluation (net of tax and non-controlling interests) and disposal of an unlisted equity instrument.
- Earnings per share and underlying earnings per share of HK$0.55 (2011: HK$1.29) and HK$0.10 (2011: HK$0.10) respectively.
- Shareholders' funds as at 30 June 2012 amounted to HK$32,194 million or HK$21.43 per share (31 December 2011: HK$31,455 million or HK$21.11 per share).
- Adjusted net asset value as at 30 June 2012 amounted to HK$35,355 million (HK$23.54 per share).
- Gearing ratio remained at 7% (31 December 2011: 7%).
- Interim dividend of 4 HK cents (2011: 4 HK cents) per share.

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THE HONGKONG AND SHANGHAI HOTELS, LIMITED FIRST HALF YEAR OPERATING RESULTS

Hong Kong, 22 August 2012 - The Hongkong and Shanghai Hotels, Limited (HSH) announced its unaudited interim results today.

Commenting on the Group's interim results, **Managing Director and Chief Executive Officer Mr. Clement K.M. Kwok** said: "The Group's two most important assets, The Peninsula Hong Kong and The Repulse Bay, were undergoing major renovation in the first half of 2012. Pursuant to these projects, all of the guestrooms in the Tower of The Peninsula Hong Kong were taken out of inventory for almost the entire six-month period and the de Ricou serviced apartment tower at The Repulse Bay was closed as from 1 February. In the light of the above, we are pleased to announce that the Group's EBITDA and underlying profit both achieved a small increase as compared to the same period last year."

The total turnover for the period amounted to HK$2,416 million, up 5% over the same period in 2011. EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 2% to HK$521 million.

Turnover in the Hotels Division increased by 5% as compared with the same period last year. This increase was achieved despite revenue at The Peninsula Hong Kong declining by 9% from 2011 due to the renovation. The most significant revenue increase came from The Peninsula Tokyo as it recovered from the March 2011 earthquake and tsunami. Revenue growth also exceeded 10% for the Peninsula hotels in Beijing and Manila.

In the Commercial Properties Division, demand for high end residential apartments and retail premises remained strong in the first half of 2012. Revenue for this Division was 1% lower year-on-year because of the closure of the de Ricou tower for renovation, which accounts for 13% of the net available area at The Repulse Bay. This revenue shortfall was largely offset by an increase of more than 10% in revenue at The Peak Tower, as well as increased revenue in other businesses.

In the Clubs and Services Division, the major revenue growth came from the increased passenger numbers at the re-opened and renovated Cathay Pacific Airways' business class lounges at the Hong Kong International Airport. There was also increased revenue from Tai Pan Laundry and Peak Tramways. The Thai Country Club and Quail Lodge Golf Club managed to maintain their revenue levels, even though the trading environment was challenging at both properties.

After taking into account the increase in fair value of investment properties of HK$630 million (2011: HK$1,784 million) and the current and deferred tax charges of HK$79 million (2011: HK$98 million), the profit attributable to shareholders in the six months amounted to HK$814 million. The Group's underlying profit attributable to shareholders, which was calculated by excluding the post-tax effects of the property revaluation surplus and other non-operating items, amounted to HK$156 million (2011: HK$152 million).

Earnings per share and underlying earnings per share were HK$0.55 (2011: HK$1.29) and HK$0.10 (2011: HK$0.10) respectively.

Shareholders' funds increased to HK$32,194 million or HK$21.43 per share. Net borrowings increased to HK$2,491 million but the Group's gearing ratio remains very low at 7%. The Company has also provided a calculation of the adjusted net assets attributable to shareholders, which after taking into account the fair market valuations of hotel properties and golf courses, amounted to HK$35,355 million or HK$23.54 per share.

The Directors have resolved to pay an interim dividend of 4 HK cents per share (2011: 4 HK cents per share).

Business Overview

Hotels Division

Revenue for the Hotels Division in the first half of 2012 was 5% above the same period last year.

China: At The Peninsula Hong Kong, total revenue was 9% lower year-on-year due to the guestroom renovation at the Tower, reducing the available room inventory from 300 to 165 rooms. Based on the number of rooms available for sale, the hotel achieved a higher occupancy and average rate compared with the same period last year, along with a 16% increase in RevPAR. The Office Tower and the Arcade remained fully let with higher revenue. At The Peninsula Shanghai, total revenue was 8% higher year-on-year, with increased income from food and beverage and the commencement of Bund 33 rentals. The average room rate was 5% lower than the same period last year due to intense competition amongst luxury hotels in Shanghai. The hotel has maintained its position as the market leader in terms of average room rate in the city for the first half year. At The Peninsula Beijing, total revenue was 15% higher year-on-year, with 20% higher RevPAR and 24% higher food and beverage revenue. Commercial revenue was 9% higher than the same period last year and the Arcade remains a leading venue for luxury goods in the capital. Both Chanel and Louis Vuitton are in the course of expanding their stores.

Asia: At The Peninsula Tokyo, total revenue was 27% higher year-on-year. The 36% growth in RevPAR has been driven by higher occupancy as the market continued to recover from the earthquake and tsunami in March 2011. Long haul and regional leisure travel are showing signs of recovery and there has been a significant improvement in corporate business, which is 49% higher than 2011. At The Peninsula Bangkok, total revenue was 1% higher year-on-year, with 9% higher occupancy but a 15% lower average room rate. The increased occupancy resulted from the various offers that have been made to the regional markets to attract business, with good growth from the wholesale and group tour segments, through this has had a negative impact on the average rate. There has been some recovery after the late 2011 flooding that significantly impacted Bangkok and the surrounding areas. At The Peninsula Manila, total revenue was 10% higher year-on-year. The 10% growth in RevPAR has been driven by an increase of 5% in occupancy. The economic and political environment continues to be encouraging in The Philippines.

USA: At The Peninsula New York, total revenue was 2% lower year-on-year, with 4% lower RevPAR. The lower demand from Middle Eastern travellers to New York City, coupled with a six-month renovation of The Peninsula Suite, have negatively affected both rate and occupancy. Food and beverage revenue was 6% higher than the same period last year. At The Peninsula Chicago, total revenue was 6% higher year-on-year, with 7% higher RevPAR due to occupancy growth, which has been generated through targeted marketing efforts to negotiated corporate accounts, online travel agents and groups. Food and beverage revenue has increased by 3% year-on-year, mainly due to higher banquet revenues. Avenues restaurant closed in September 2011 and, after a period of use as banquet space, is now being converted into a junior ballroom in order to generate better yields, with completion expected in October 2012. At The Peninsula Beverly Hills, total revenue was 22% higher year-on-year and occupancy was 11% higher than the same period last year, whilst the average rate was 5% higher, resulting in a 21% RevPAR increase. The positive results were achieved through a concerted strategy to attract international business, particularly from the Middle East, which is showing consistent growth.

Commercial Properties Division

Turnover from the Commercial Properties Division was 1% lower than the same period last year, mainly due to the renovation being undertaken at The Repulse Bay. The residential and commercial leasing market in Hong Kong remains strong and most of the properties in this Division are operating at or near to full occupancy.

At The Repulse Bay Complex, total revenue was 5% below the same period last year due to the temporary closure of the de Ricou serviced apartment tower for renovation from 1 February 2012. Excluding the serviced apartments, other apartment revenue was 5% higher than the same period last year. Occupancy for the remaining 353 unfurnished apartments continues to be very high and the shopping arcade remains fully let.

In the Peak Tower, total revenue was 11% higher than the same period last year. The Tower remains fully let and rental rates have increased year-on-year. Admission to Sky Terrace 428 was 1% lower than last year, mainly due to the unstable weather. For St. John's Building, total revenue was 5% higher year-on-year. The office tower is almost fully let; the average monthly yield has increased by 7% over the same period last year.

In Vietnam, The Landmark's total revenue was 5% higher year-on-year. This was contributed by short stay business and strong demand from corporate guests, despite the weaker office occupancy and rentals following the departure of a major office tenant.

Clubs & Services Division

Total revenue for this Division was 11% higher than the same period last year.

For the Peak Tramways, revenue was 8% higher year-on-year. The Peak Tram's patronage rose 3%, with 2.75 million passengers in the first six months of 2012, achieving another record. Revenues at Peninsula Merchandising were in line with the same period last year, although there was an increase of 14% in GOP owing to higher retail sales in Hong Kong. Meanwhile, Peninsula Merchandising's South Korean distributor will open the first Peninsula Boutique in South Korea in August in Seoul. Revenue in the Thai Country Club was 3% higher than last year in baht terms. In 2012 there has been increased revenue from golf cart rental and membership fees as compared with the same period last year.

The total revenue at Quail Lodge was in line with the same period last year. The hotel portion of the Lodge has remained closed during the period, although the Group has recently announced plans to re-position and re-open this in 2013. Total revenue in Tai Pan Laundry was 22% higher than the same period last year as a result of increased volumes of laundry and dry cleaning business generated from the hotels in Hong Kong and other businesses served by the laundry, as well as new accounts. Revenue in Peninsula Clubs and Consultancy Services was 24% higher year-on-year. Positive growth came from Club Management and Consultancy fees and revenues from the operation of the Cathay Pacific Airways' first and business class lounges at the Hong Kong International Airport.

Projects

In Europe, The Peninsula Paris is being developed in a building on Avenue Kleber, near the Arc de Triomphe. The first half of 2012 has seen the near completion of structural works, including three new basements and the renewal of all the superstructure, whilst cleaning the historic facades. Work on the renewal of the mansard slate and zinc roofs, the installation of external windows and internal partitioning are well advanced. The mechanical, electrical and plumbing works have begun and fit out packages for the guestrooms are being awarded through the main contractor. The latest schedule for the soft opening of the hotel is in the fourth quarter of 2013.

It has been a challenging and complicated project to convert this beautiful historic building into a Peninsula hotel. Since the commencement of the project, the scope of work has been expanded to address additional structural works required, historical preservation considerations, unknown site conditions and design improvements to the facilities for customers. These issues have had consequences on timing, scope of consultants' services and contract costs. As a result, the total construction budget for the project was recently increased from Euros 295 million to Euros 338 million (excluding contingency). The major part of the construction budget is being financed by a non-recourse project loan of Euros 220 million which has been arranged. HSH is a 20% owner of the hotel in partnership with Katara Hospitality.

The first phase of renovation work for the 135 Tower rooms and suites at The Peninsula Hong Kong commenced in January 2012. This is expected to be completed with the rooms and suites brought back into inventory by September this year. At the same time, construction of a new floor designed to serve business conferences and weddings has commenced and will be completed by November 2012. The Group will shortly commence the renovation of the 165 rooms and suites in the original building, with completion scheduled for the second quarter of 2013. The Group also plans at the same time to commence a project to expand and renovate the Verandah restaurant, which will be completed by October this year.

At The Repulse Bay Complex, the first phase renovation involving public areas upgrade work at 101 Repulse Bay Road was completed by April this year and the second phase began in February 2012 with the closure of the de Ricou serviced apartment tower for interior conversion. The de Ricou conversion will result in an improved mix of mainly larger unfurnished duplex apartments, together with a smaller number of luxury serviced apartments, upon completion in mid 2013. The Group's calculations indicate that the yield from this tower will be significantly enhanced as a result. The third and final phase, involving the upgrading of the public areas in the other residential towers at 109 Repulse Bay Road, has been reduced in scope so that it will commence in late 2012 and be completed at the same time as the second phase in mid 2013.

Outlook

Mr. Clement Kwok remarked on the Group's outlook for the next half of 2012: "The key factor that will continue to affect our results in the short term is the impact of the renovations at The Peninsula Hong Kong and The Repulse Bay. As mentioned, the closure of the Tower at The Peninsula Hong Kong will be followed by the closure of the original building until the second quarter of 2013. At The Repulse Bay, closure of the de Ricou tower is expected to last until mid 2013. However, we are confident that completion of these improvements will significantly enhance our future earnings outlook.

"In our other businesses and operations, the general trend of demand was stronger at the beginning of 2012 in the first quarter and we have seen a slowing of momentum as we entered into the second quarter and the summer months. The outlook for the traditional autumn high season for most of our hotels is therefore uncertain although we remain cautiously optimistic especially in some of our Asian markets. Rental yields at our investment properties are generally holding up and we expect this segment to remain stable.

"Overall, our Group remains in a strong financial position, with a very low level of gearing and significant capability to make further investments."

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About The Hongkong and Shanghai Hotels, Limited (HSH)

Incorporated in 1866 and listed on The Stock Exchange of Hong Kong (00045), HSH is the holding company of a Group which is engaged in the ownership, development and management of prestigious hotel, commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of transport, club management and other services. The hotel portfolio of the Group comprises The Peninsula Hotels in Hong Kong, Shanghai, Beijing, New York, Chicago, Beverly Hills, Tokyo, Bangkok, Manila and Paris (opening in 2013). The property portfolio of the Group includes The Repulse Bay Complex, The Peak Tower and The Peak Tramways, St. John's Building, The Landmark in Ho Chi Minh City, Vietnam and the Thai Country Club in Bangkok, Thailand.

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